

MANUFACTURING AND MINING SECTORS BUSINESS TENDENCY SURVEY: 2nd QUARTER 2022 REPORT



**MANUFACTURING AND MINING SECTORS BUSINESS TENDENCY SURVEY:
2nd QUARTER 2022 REPORT**

For more information contact:

Zimbabwe National Statistics Agency
P.O. Box CY 342
Causeway, Harare
Zimbabwe
Telephone: 263-242-706681/8 or 263-242-703971/7
Email: industry@zimstat.co.zw
Website: www.zimstat.co.zw

Table of Contents

List of Tables	iv
List of Figures	iv
List of Acronyms.....	v
Executive Summary.....	vi
1 Introduction	1
2 Results.....	3
2.1 Capacity utilization	3
2.2 General business climate	5
2.3 Production	6
2.4 Employment	9
2.5 Current level of local and export order books	11
2.6 Current stocks of finished goods and raw materials.....	13
2.7 Change in selling prices	15
2.8 Supplier delivery time	16
2.9 Manufacturing sector Purchasing Managers' Index (PMI)	18
2.10 Manufacturing Confidence Indicator	18
2.11 Current constraints.....	19

List of Tables

Table 1.1: Summary of Manufacturing and Mining sectors Net balances	vii
---	-----

List of Figures

Figure 2.1a: Capacity utilization in manufacturing and mining sectors.....	3
Figure 2.1b: Capacity utilization for large companies in manufacturing sector	4
Figure 2.1c: Capacity utilization medium and small companies in manufacturing sector	4
Figure 2.2: General business climate for manufacturing and mining sectors in comparison to the last three months.....	5
Figure 2.3: Balance of opinion for general business climate	6
Figure 2.4a: Production level in comparison to past three months	6
Figure 2.4b: Production level in comparison to next three months.....	7
Figure 2.5a: Balance of opinion for changes in production level in the past 3 months	8
Figure 2.5b: Balance of opinion for changes in production level in the next 3 months	8
Figure 2.6a: Change in total employment for past 3 months.....	9
Figure 2.6b: Change in total employment for past and next three months.....	10
Figure 2.8a: Current level of local order books	11
Figure 2.8b: Current level of export order books	12
Figure 2.9a: Balances of opinion for Local order books.....	12
Figure 2.9b: Balances of opinion for export order books	13
Figure 2.10a: Current stock of finished goods.....	13
Figure 2.10b: Current stock of raw materials	14
Figure 2.11a: Balances of opinion for stocks of finished goods.....	14
Figure 2.11b: Balances of opinion for stocks of raw materials.....	15
Figure 2.12: Change in selling prices over the next three months	15
Figure 2.13: Balances of Opinion for selling prices.....	16
Figure 2.14: Supplier delivery time in the reference quarter	17
Figure 2.15: Balance of opinion for supplier delivery time.....	17
Figure 2.16: Purchasing Manager's Index (PMI) and its sub-indices	18
Figure 2.17: Manufacturing Confidence Indicator.....	18
Figure 2.18: Mining Confidence Indicator	19

List of Acronyms

BTS	Business Tendency Survey
MCI	Manufacturing Confidence Index
PMI	Purchasing Managers' Index
pp	Percentage points

Executive Summary

The 2022 second quarter Business Tendency Survey was undertaken with the objective of producing indicators for use in monitoring current business situation and short-term developments in the manufacturing and mining sectors. This was based on views of senior managers towards business conditions.

Variables from which opinions were sought included, general business climate, production level, total employment, current level of order books, current stocks of finished goods and raw materials, selling prices, supplier delivery time as well as constraints to production. Key indicators produced from the survey comprise Capacity Utilization, Purchasing Managers' Index (PMI), Manufacturing Confidence Index, and Balance of Opinion or Net Balance.

Purchasing Managers Index (PMI) is a measure of the prevailing direction of economic trends in manufacturing based on survey of supply chain managers across upstream and downstream activities. The PMI values range from 0 to 100. A value above 50 shows an expansion and that below 50 reflects a contraction in the economy when compared to previous period. The further away from 50 the greater the level of change.

Balance of opinion is the difference between the proportion of positive responses and that of negative responses. Values of the indicator range from 0, when all responses are negative to +100, when all responses are positive.

Capacity Utilization

When combining all companies, capacity utilization for the manufacturing sector in second quarter 2022 was 48 percent. Large companies in the manufacturing sector recorded capacity utilization of 62 percent in second quarter 2022. This represent a four percentage points increase from the first quarter level of 58 percent. Medium and small companies in the sector recorded capacity utilization of 47 percent gaining a percentage point from 46 percent recorded in the first quarter.

The mining sector capacity utilization declined by 3 percentage points from 54 percent in first quarter 2022 to 51 percent in second quarter.

Manufacturing Confidence Indicator

The Manufacturing Confidence Indicator moved from +5 pp in the first quarter to +7 pp in the second quarter. This means that respondents had almost the same view about the manufacturing sector business conditions as they had in the first quarter.

Mining Confidence Indicator

The second quarter Mining Confidence Indicator increased to +19 pp from +6 pp recorded in the first quarter.

Manufacturing sector Purchasing Managers' Index (PMI)

The second quarter Purchasing Managers' Index for manufacturing was 37.9, indicating a 2.9 percentage points increase from PMI value of 35 recorded in the first quarter.

Balances of Opinion

The second quarter 2022 balances of opinion for a range of variables under both the manufacturing and mining sectors are summarized in Table 1.1

Table 1.1: Summary of Manufacturing and Mining sectors Net balances

Variables	Manufacturing (percentage points)	Mining (percentage points)
Capacity Utilisation	-6	3
General business climate	-6	3
Production level <i>past 3 months</i>	-14	1
Production level <i>next 3 months</i>	26	44
Employment <i>past 3 months</i>	-4	1
Employment <i>next 3 months</i>	6	27
Local order books	-40	-20
Export order books	-53	-30
Finished goods	-41	-43
Raw materials	-40	-39
Selling prices	52	20
Supplier delivery time	-20	-14

Constraints

The three major constraints to production as cited by manufacturing sector respondents were shortage of raw materials, cash flow challenges and uncertainty of the economic environment. The same were also cited as major constraints in the first quarter.

Cash flow challenges, power outages and lack of appropriate equipment were three major constraints raised by respondents in the mining sector for both the second quarter and the first quarter.

1 Introduction

This publication presents results of the Business Tendency Survey (BTS) conducted for the manufacturing and mining sectors covering the period April –June 2022. The survey was undertaken with the objective of producing indicators for use in monitoring current business situation and short-term developments of the sectors. This was based on views of senior managers of 839 manufacturing and 125 mining companies towards business conditions.

Variables from which opinions were sought included general business climate, capacity utilization, production, employment, order books, inventories, selling prices, supplier delivery time as well as constraints to production. Key indicators produced from the survey comprise Capacity Utilization, Purchasing Managers' Index (PMI), Manufacturing Confidence Index and Balance of Opinion or Net Balance.

Purchasing Managers' Index (PMI) is a composite index, which summarizes economic activity in the manufacturing sector. An index value above 50 signals expansion in the sector whilst a value below 50 implies deterioration and 50 means no change.

Confidence indicators are compiled using an average of the balances of questions relating to production expectations, total order books and stocks of finished goods. A positive value of the indicator reflects optimism towards the business conditions while a negative value implies pessimism and zero implies same situation expected in the current reference period as before.

Balance of opinion is the difference between the proportion of positive responses and that of negative responses. Values of the indicator range from -100, when all responses are negative to +100, when all responses are positive.

The second quarter BTS had a response rate of 50.5 percent.

Methodological guidelines used in undertaking the survey were obtained from the United Nations Handbook on Economic Tendency Surveys as well as the Organization for Economic Co-operation and Development Handbook on Business Tendency Surveys.

2 Results

2.1 Capacity utilization

The overall capacity utilization for the manufacturing sector in second quarter 2022 was 48 percent (Figure 2.1a). For large corporates in the manufacturing sector, capacity utilization was 62 percent in second quarter 2022. This represent an increase of 4 percentage points from first quarter levels. (Figure 2.1b). Medium and small companies in the sector recorded a capacity utilization value of 47 percent up from 46 percent recorded in the first quarter of the year (Figure 2.1c).

The mining sector capacity utilization declined by 3 percentage points from 54 percent in first quarter 2022 to 51 percent in second quarter. (Figure 2.1a)

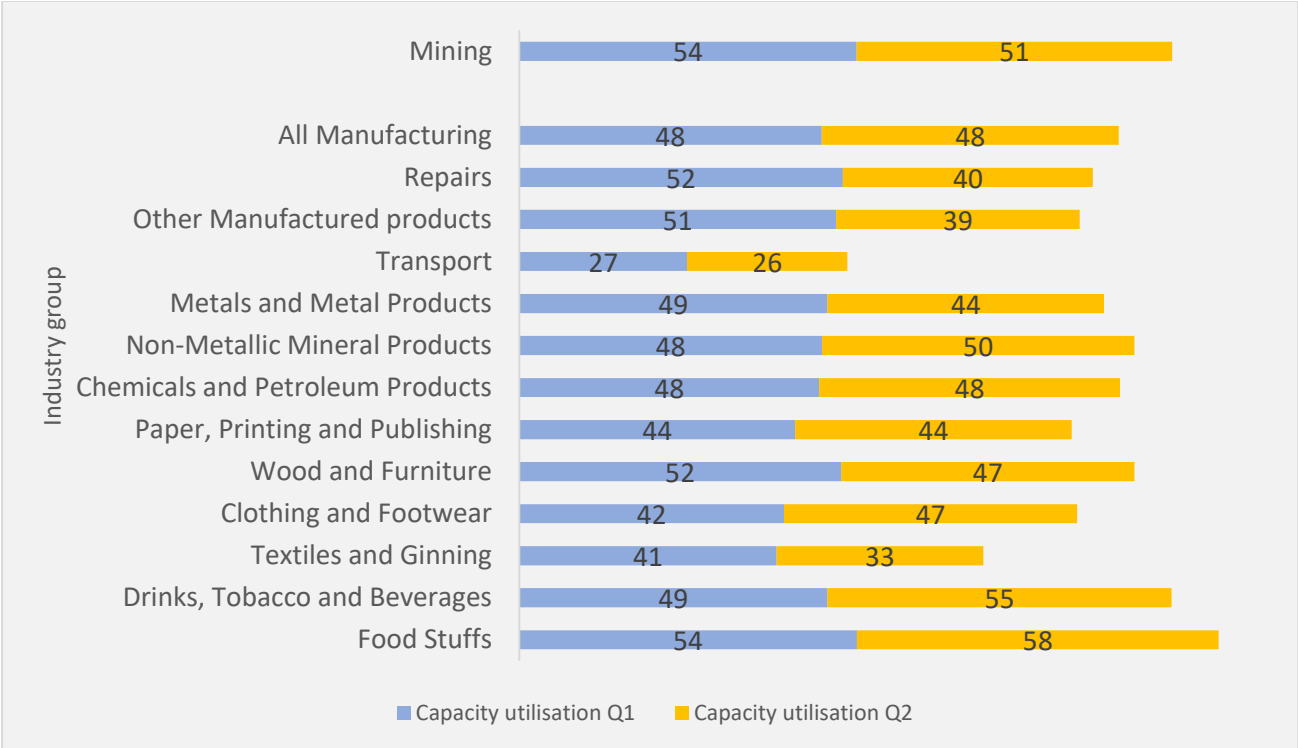


Figure 2.1a: Capacity utilization in manufacturing and mining sectors

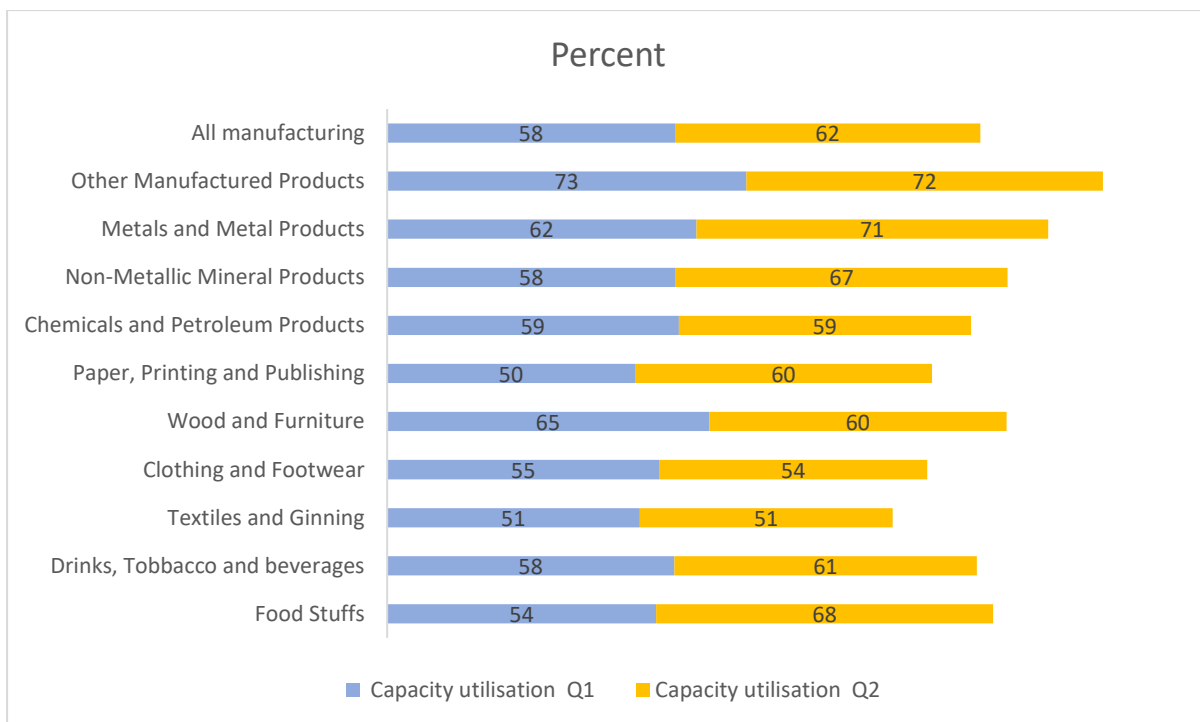


Figure 2.2b: Capacity utilization for large companies in manufacturing sector

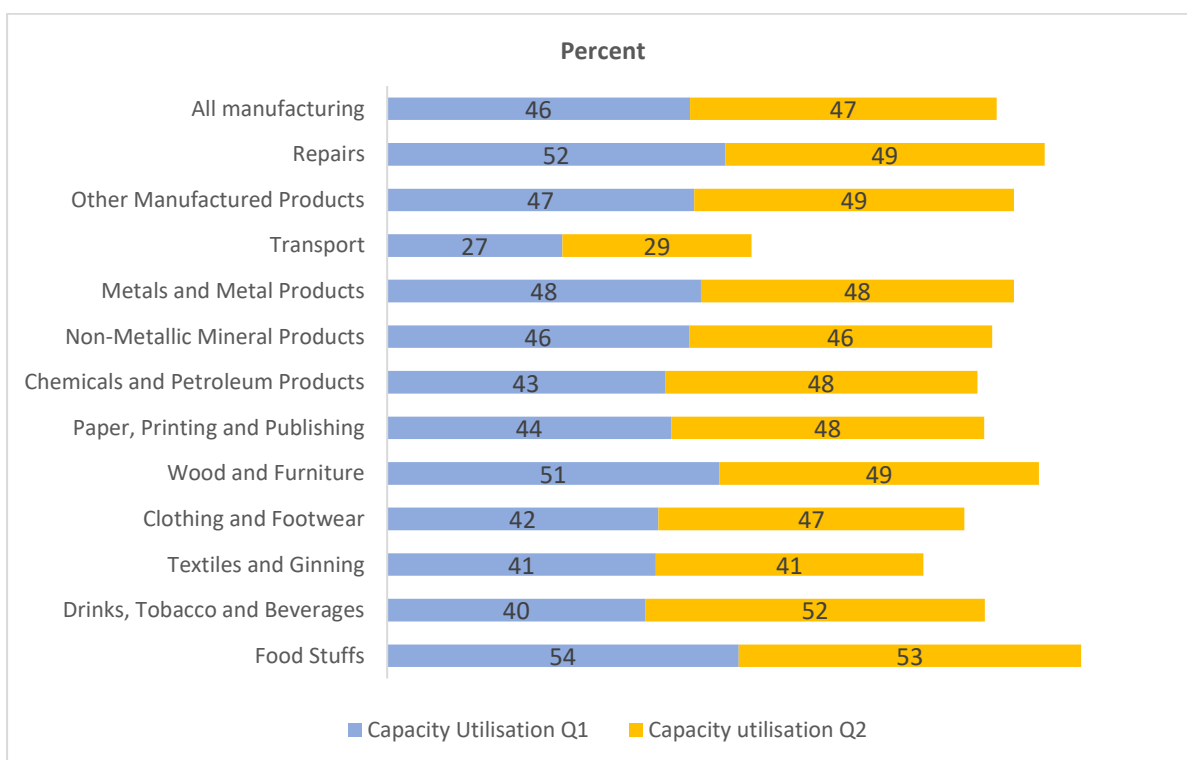


Figure 2.3c: Capacity utilization medium and small companies in manufacturing sector

2.2 General business climate

Overall, 22 percent of the survey respondents in the manufacturing sector showed more optimism towards the general business climate in comparison to the previous three months. Respondents in the mining sector that showed optimism towards the general business climate constituted 21 percent. (Figure 2.2)

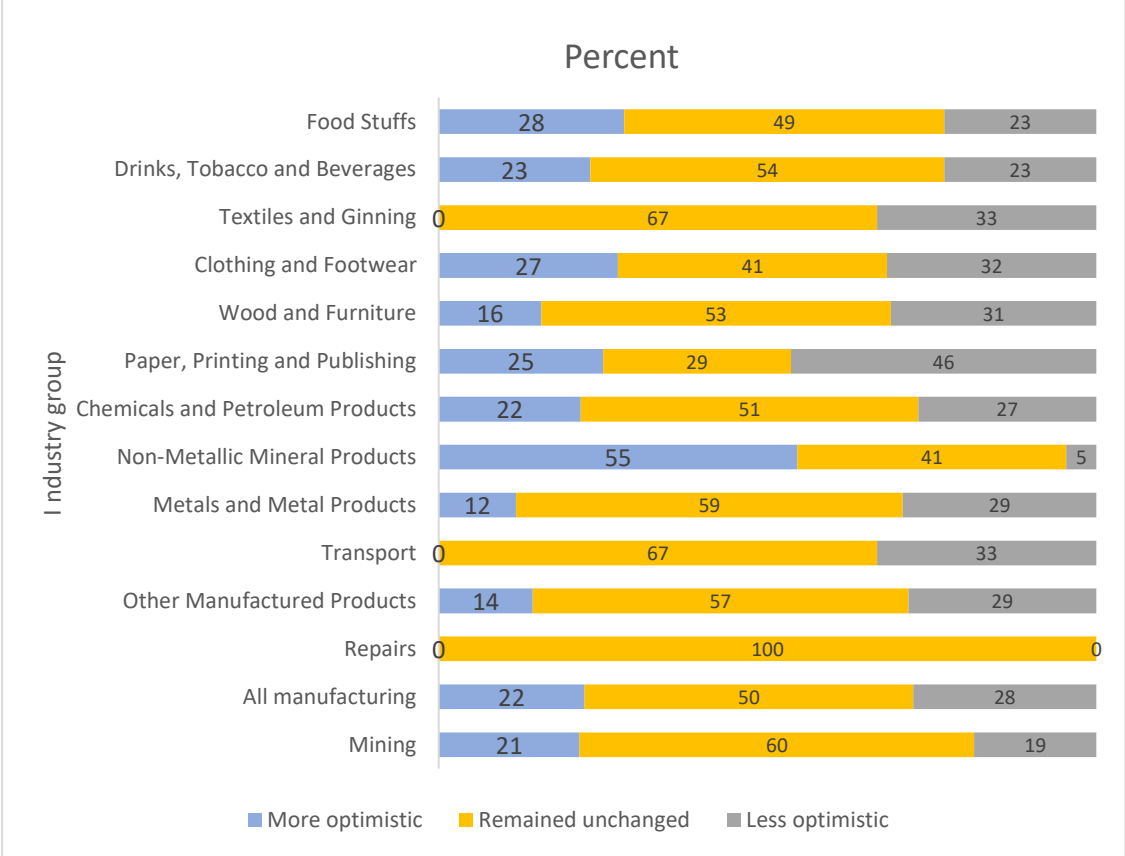


Figure 2.4: General business climate for manufacturing and mining sectors in comparison to the last three months

Manufacturing sector Balance of opinion with respect to general business climate was -6 percentage points (pp), down from first quarter value of 6pp. “Net balance for the mining sector was 3pp up from -29pp recorded in the first quarter. (Figure 2.3)

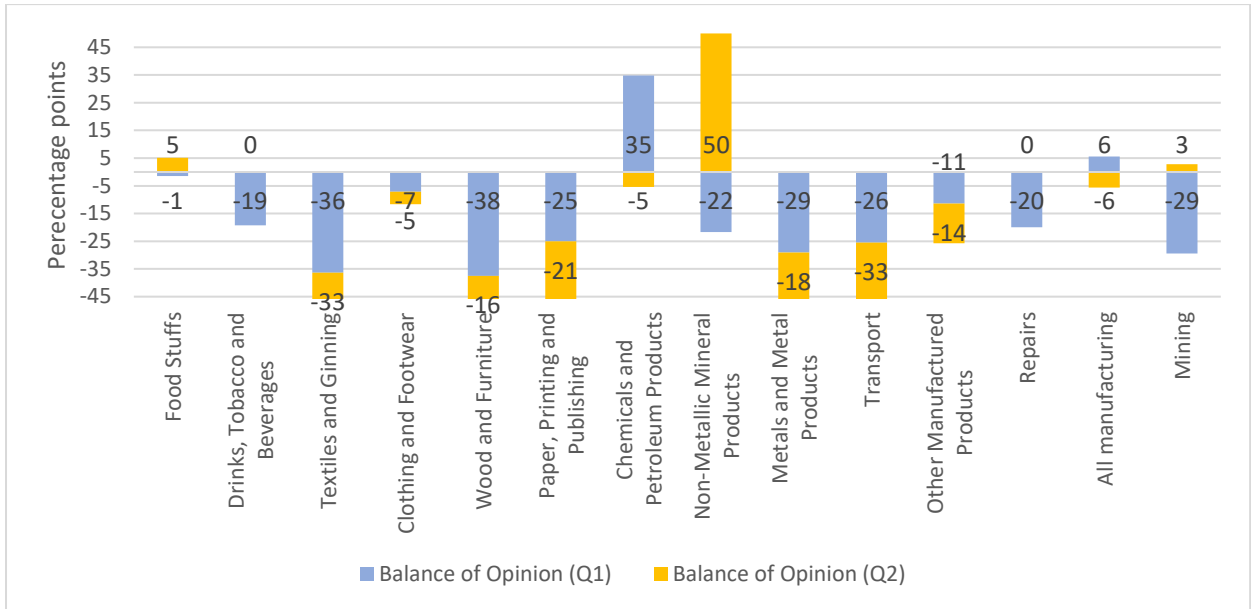


Figure 2.5: Balance of opinion for general business climate

2.3 Production

As shown in Figure 2.4a, 14 percent of the surveyed manufacturers reported an increase in production levels over the past 3 months. In the mining sector, 27 percent cited increased production over the past 3 months. (Figure 2.4a)

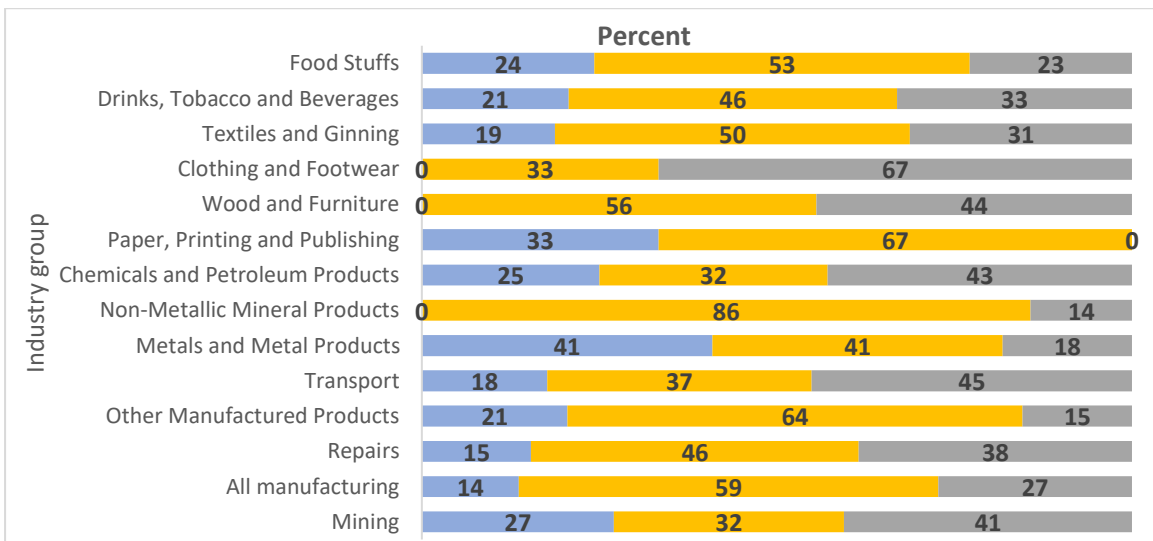


Figure 2.6a: Production level in comparison to past three months

Forty-two percent of the respondents were more optimistic about an increase in manufacturing sector production levels in the next 3 months as 57 percent of the respondents expected an increase in mining production level over the next 3 months. (Figure 2.4b).

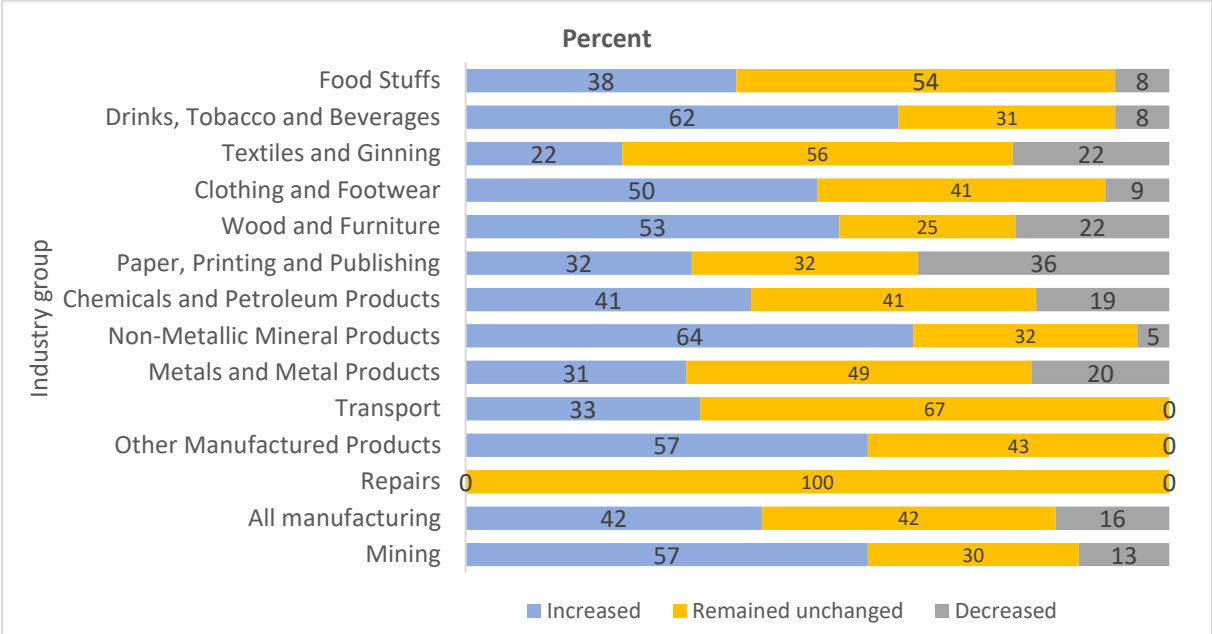


Figure 2.7b: Production level in comparison to next three months

Overall, balances of opinion for production level in relation to the past three months was -14pp for both the manufacturing and mining sectors. (Figure 2.5a)

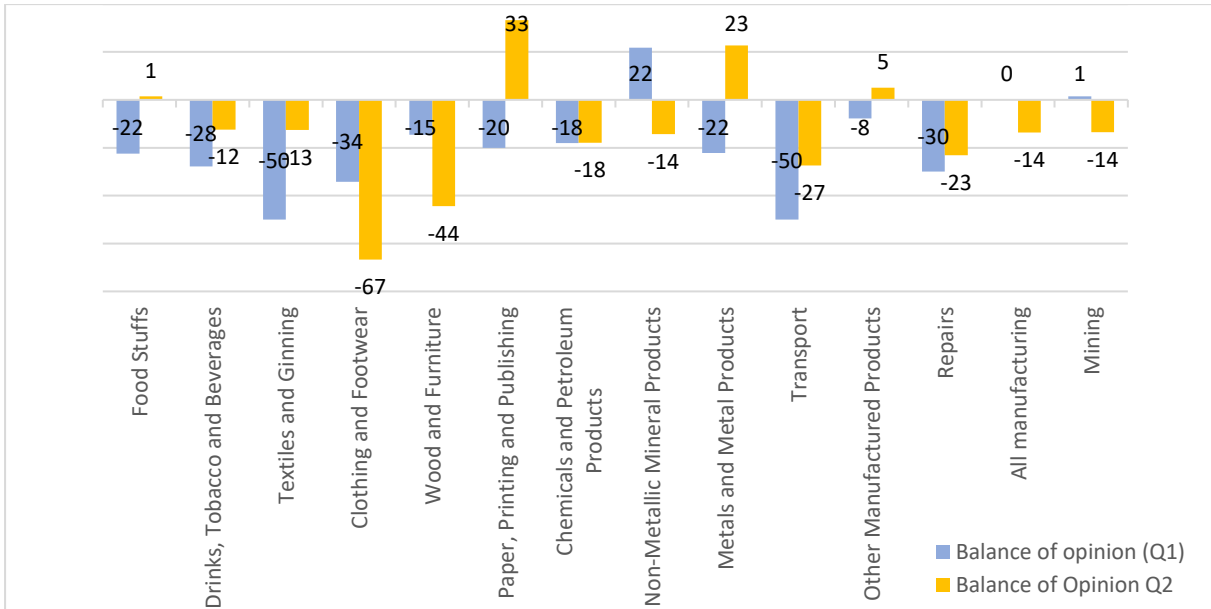


Figure 2.8a: Balance of opinion for changes in production level in the past 3 months

With reference to production in the next 3 months, manufacturing net balance was +26 up from +11 pp in the first quarter. A net balance of 44pp (down from +50pp) was recorded for the mining sector in relation to production levels in the next 3 months of opinion. (Figure 2.5b)

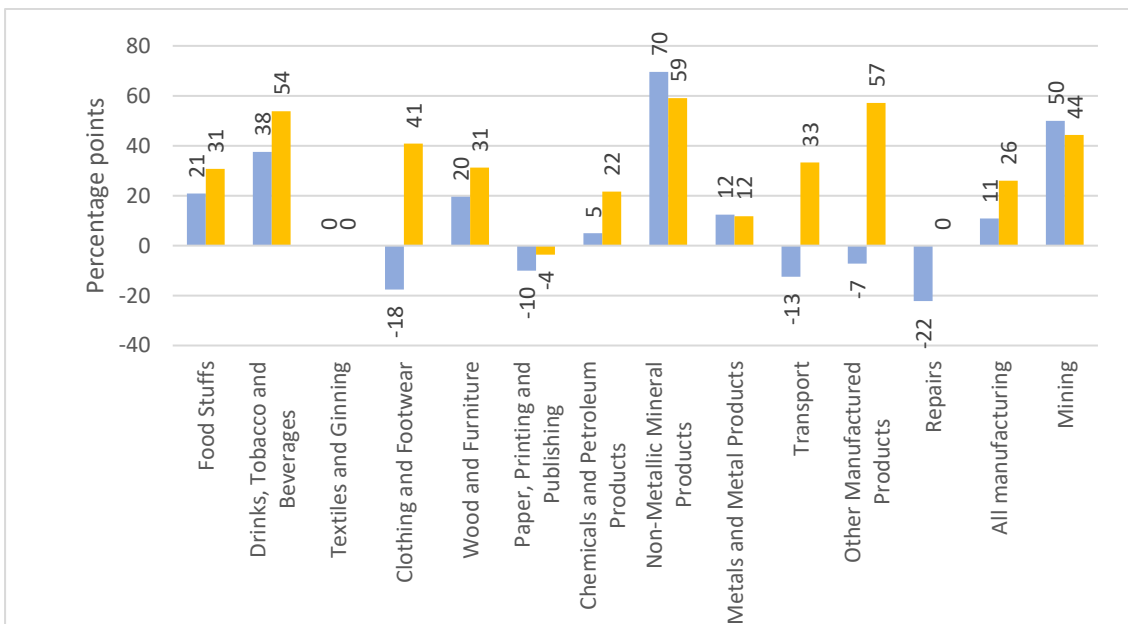


Figure 2.9b: Balance of opinion for changes in production level in the next 3 months

2.4 Employment

In Figure 2.6a, ten percent of the manufacturing survey respondents viewed total employment in the past 3 months as having increased, while 76 percent remained neutral. Nineteen percent of the respondents in the mining sector cited an increment in the employment level in the past 3 months.

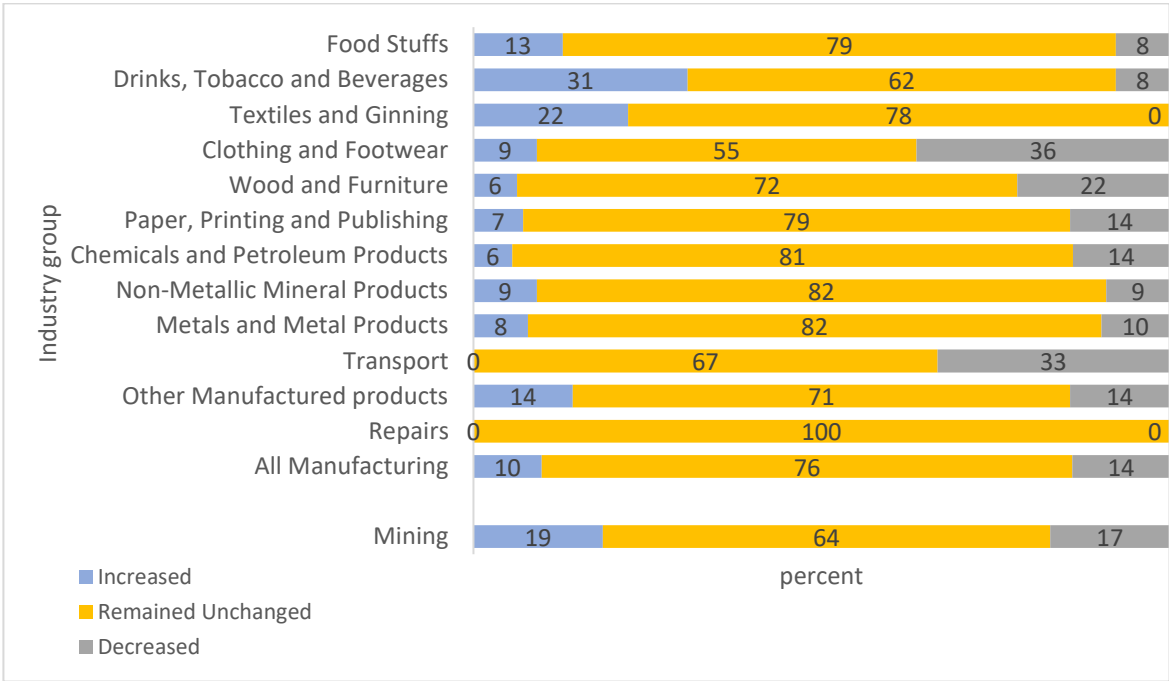


Figure 2.10a: Change in total employment for past 3 months

Regarding total employment in the next 3 months, 9 and 19 percent of the respondents in the manufacturing and mining sectors respectively anticipated the variable to improve. (Figure2.6b)

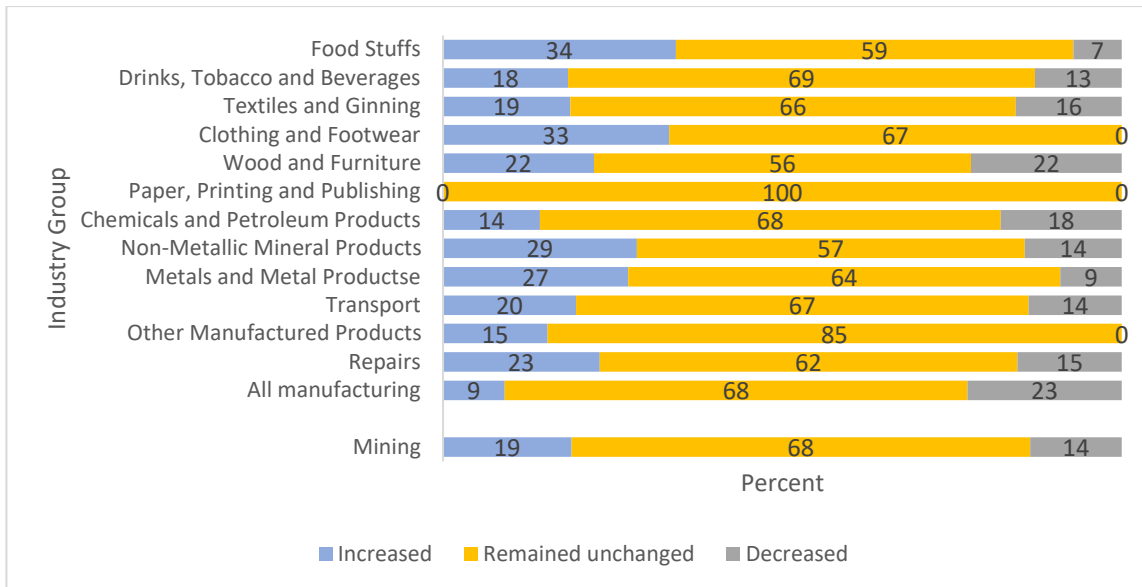


Figure 2.11b: Change in total employment for past and next three months

As observed in Figure 2.7a, in the past 3 months total employment balances of opinion for manufacturing and mining sectors were -4 pp and of 1pp respectively.

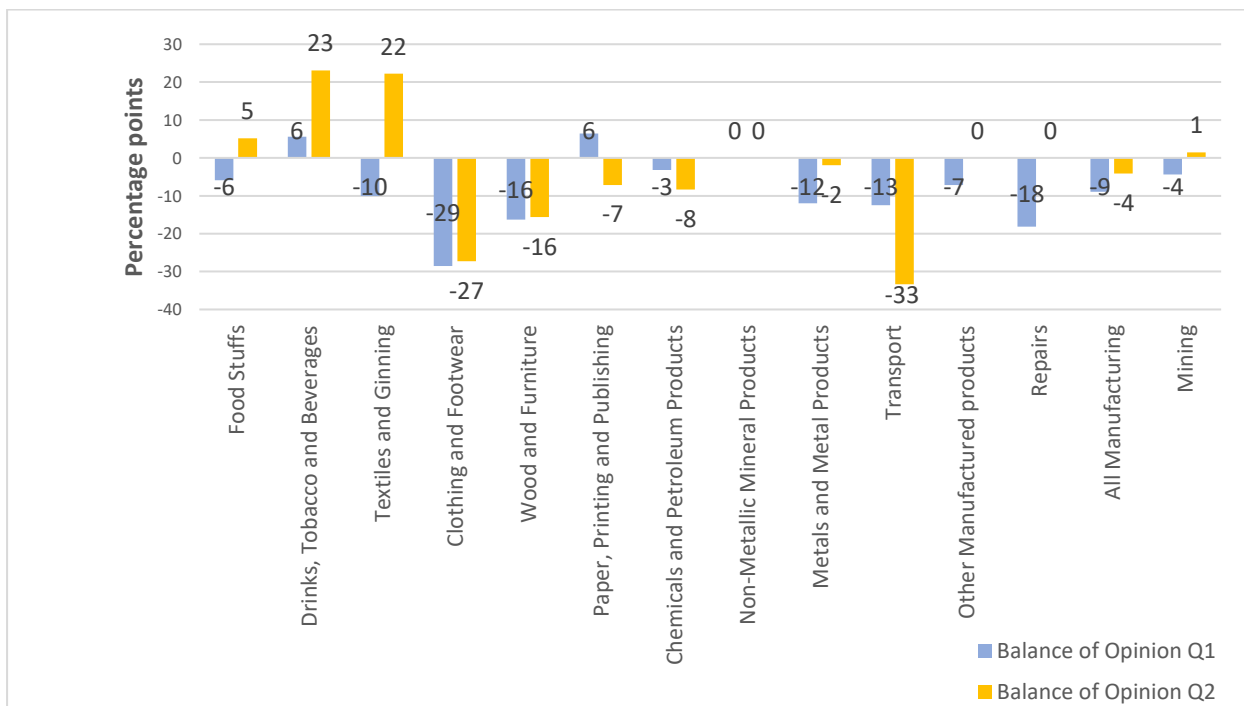


Figure 2.7a: Balance of opinion for changes in employment level in the past 3 months

In Figure 2.7b, total employment in the next 3 months, shows that net balances for manufacturing was 6pp while that of mining sector was 27pp.

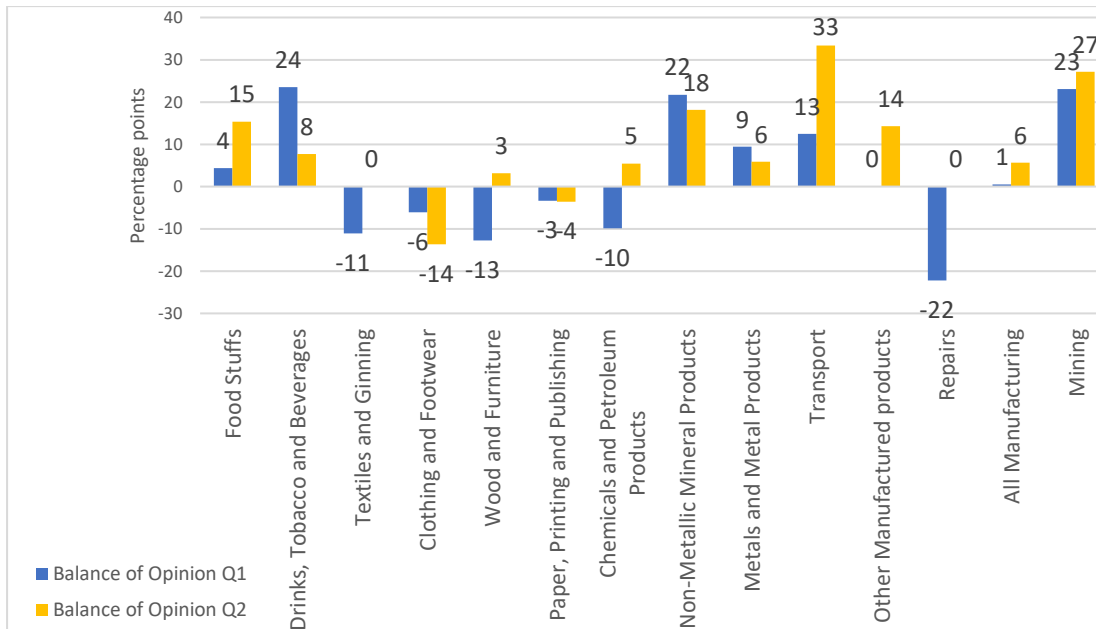


Figure 2.7b: Balance of opinion for changes in employment level in the next 3 months

2.5 Current level of local and export order books

Manufacturing respondents' views towards current levels of local order books were such that only 3 percent viewed them as being above normal for the season during the second quarter. Seven percent of the respondents in the mining reported the current level of local order books was above normal. (Figure 2.8a)

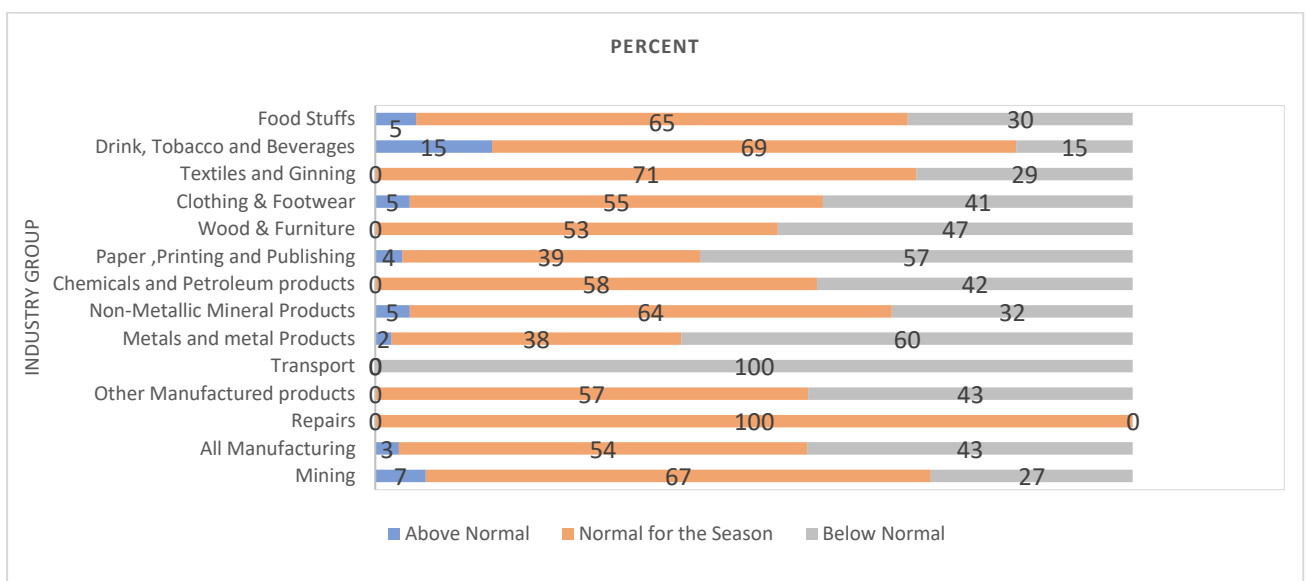


Figure 2.12a: Current level of local order books

Current levels of export order books were regarded as above normal by 2 percent of the manufacturing sector respondents. Seven percent of the respondents in the

mining reported the current level of export order books was above normal. (Figure 2.8b)

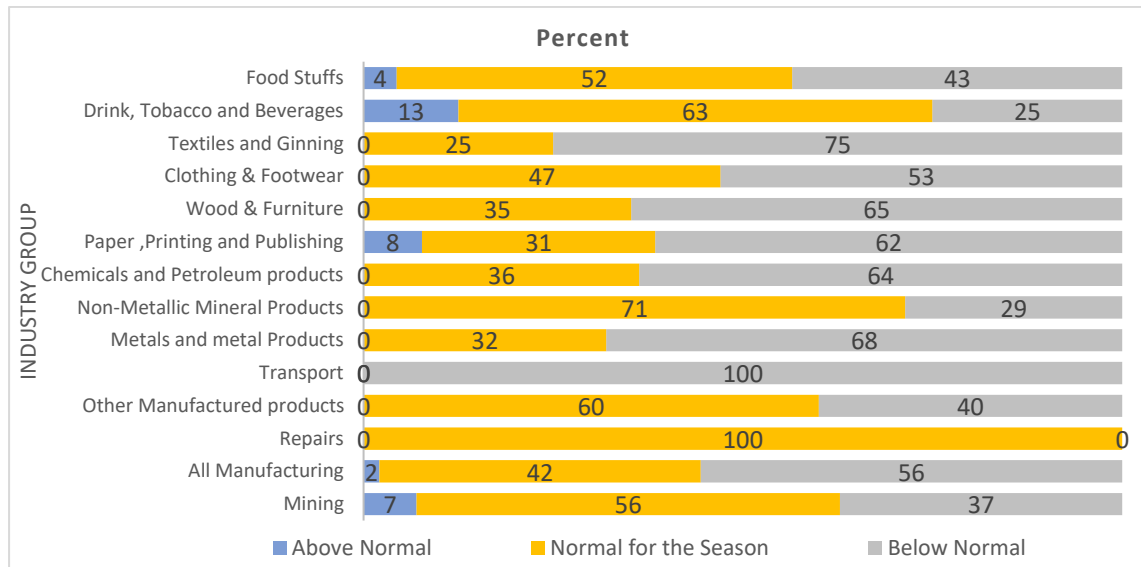


Figure 2.13b: Current level of export order books

Figure 2.9a shows that manufacturing net balances for current level of local books were -40pp. Mining sector net balances with respect to local order books was -20pp. (Figure 2.9a)

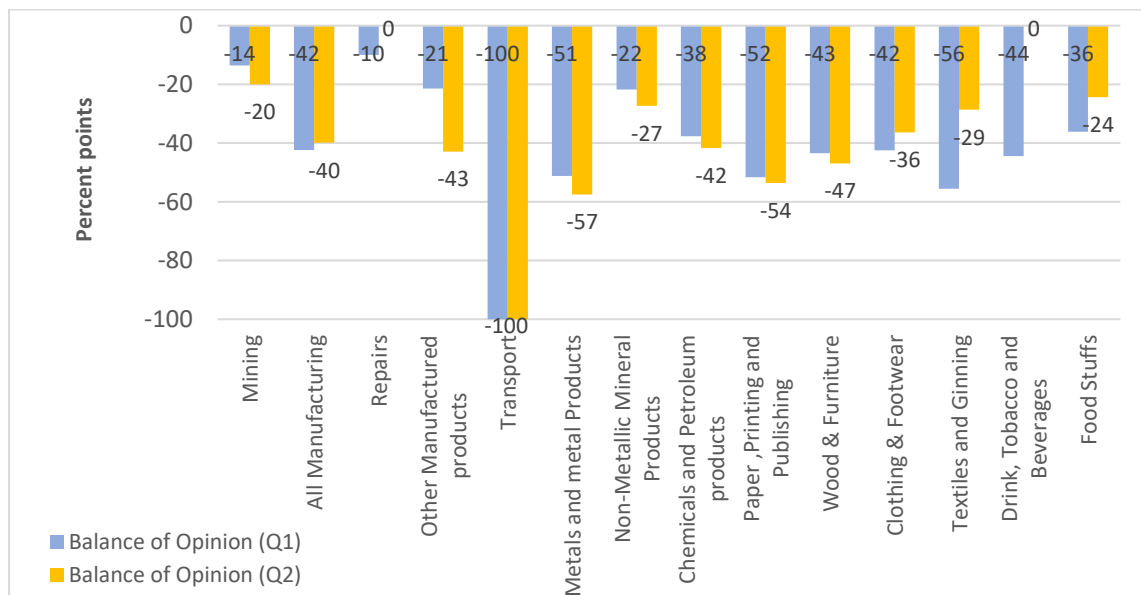


Figure 2.14a: Balances of opinion for Local order books

In figure 2.9b, net balances with respect to export order books for the manufacturing sector was -53 percentage points. Mining sector recorded a balance of opinion of -30pp towards current level of export order books. (Figure 2.9b)

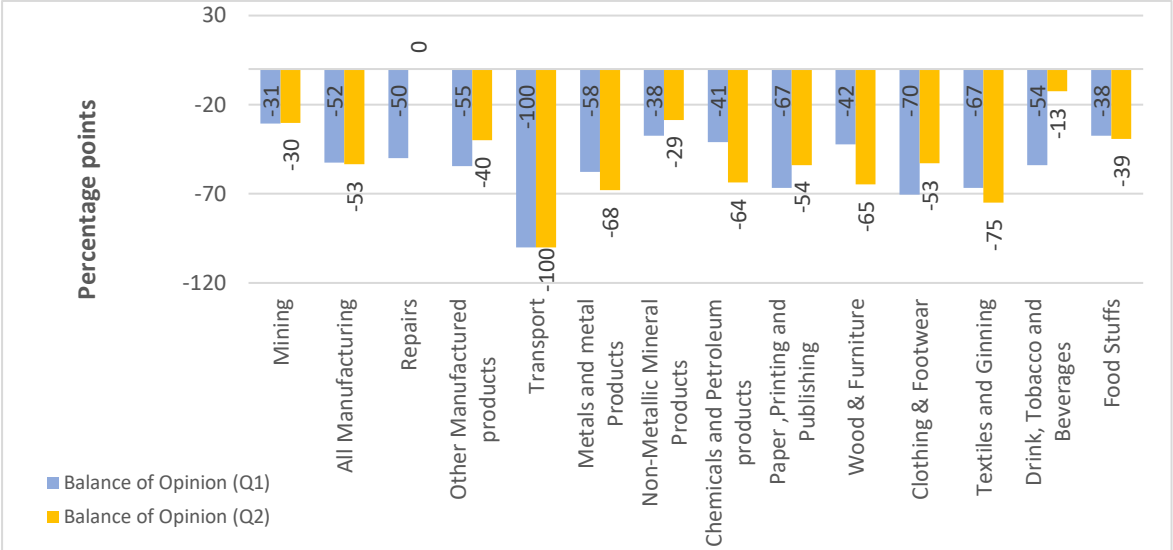


Figure 2.15b: Balances of opinion for export order books

2.6 Current stocks of finished goods and raw materials

Figure 2.10a shows that nine percent of the manufacturing sector respondents considered their current stocks of finished goods to be above normal. Three percent of respondents in the mining sector viewed their stock of finished goods to be above normal for the season.

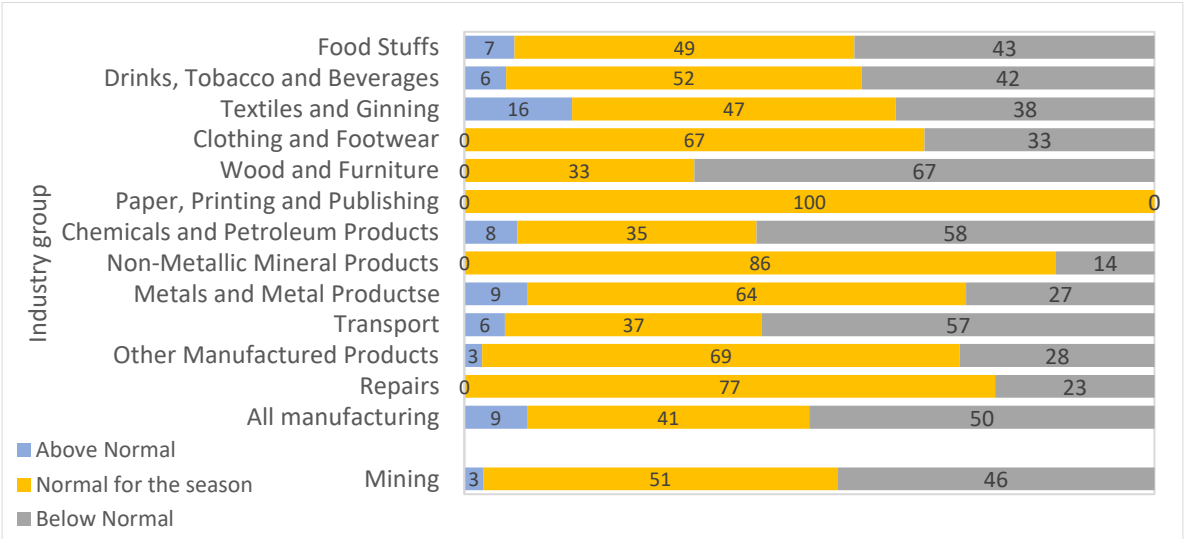


Figure 2.16a: Current stock of finished goods

With regards to current stock raw materials, 44 percent of respondents in the manufacturing cited it as normal for the season. In the mining sector, 53 percent of those surveyed viewed their current stock of raw materials to be normal. (Figure 10b).

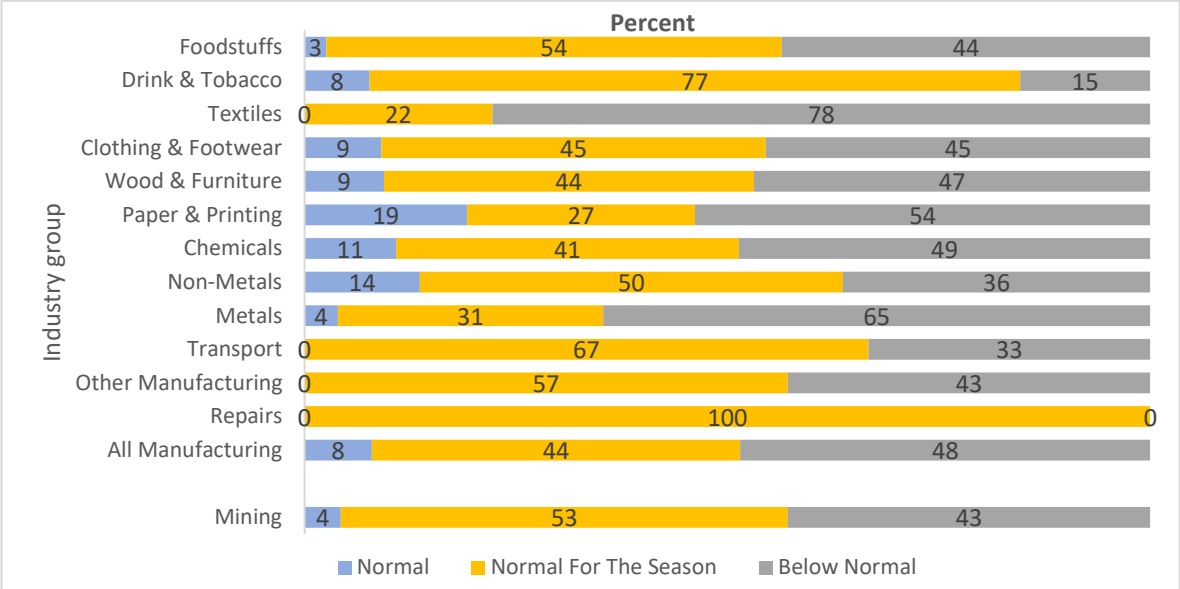


Figure 2.17b: Current stock of raw materials

Manufacturing net balance for current stock of finished goods moved upwards from -43 pp in the first quarter to -41 pp in the second quarter. Net balance of -43pp was recorded in the mining sector with respect to finished. (Figure 2.11a)

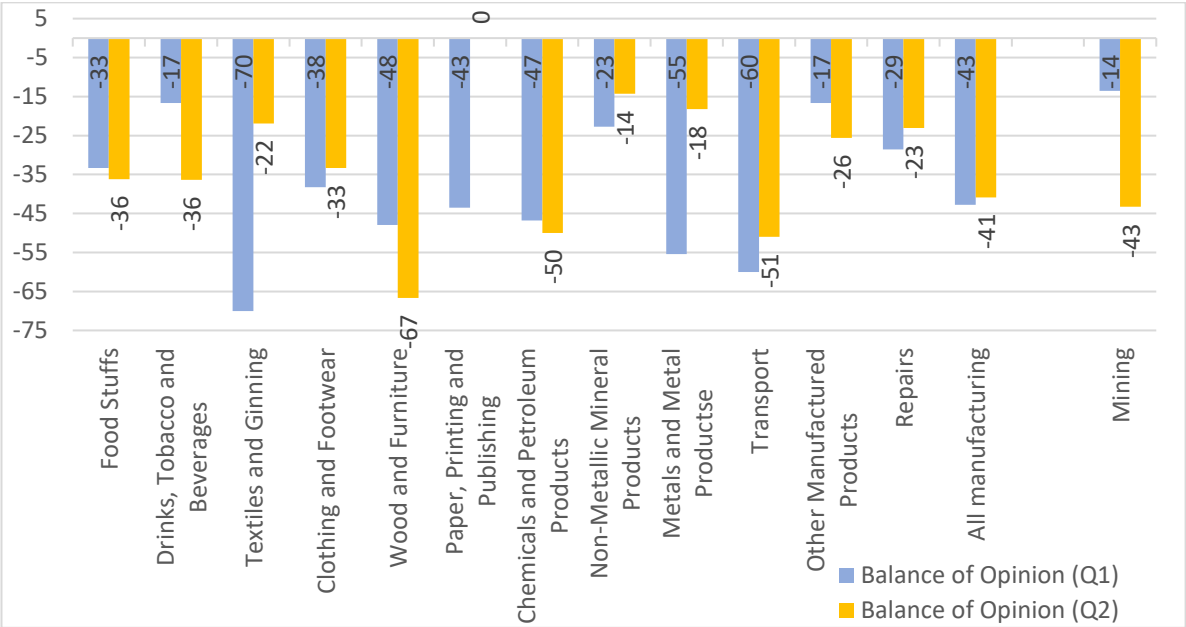


Figure 2.18a: Balances of opinion for stocks of finished goods

Balances of opinion for current stock of raw materials in the manufacturing sector rose to -40pp from -43 pp in the first quarter. Net balances of -39pp was recorded in the mining sector with respect to raw materials. (Figure 2.11b)

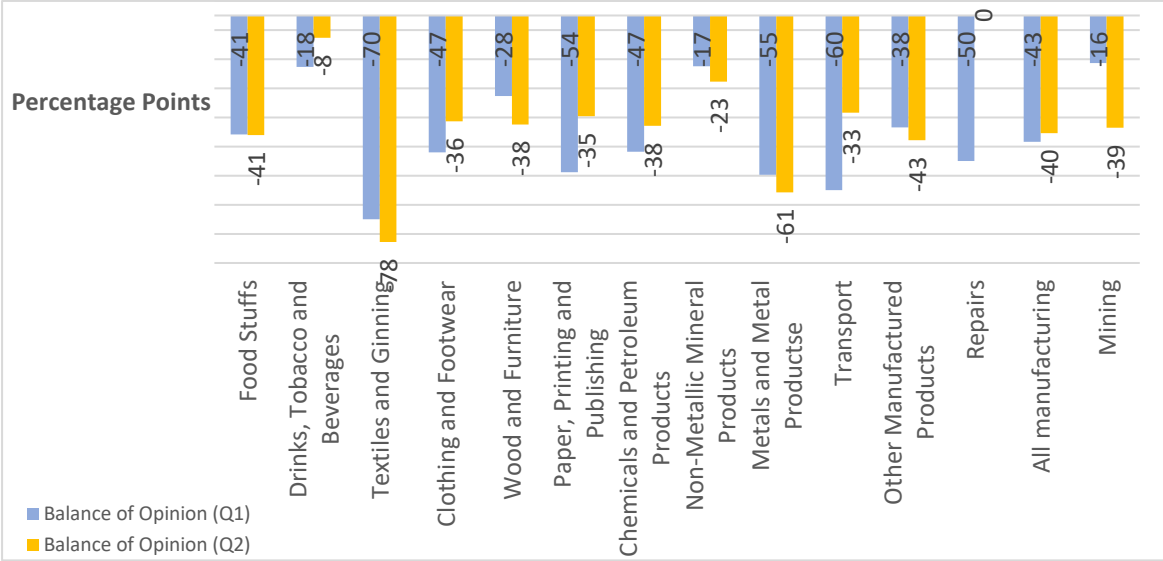


Figure 2.19b: Balances of opinion for stocks of raw materials

2.7 Change in selling prices

The outlook for changes in selling prices was such that 59 percent of the respondents in the manufacturing expected prices increases over the next three months. Forty percent of respondents in the mining sector anticipated selling prices to increase (Figure 2.12)

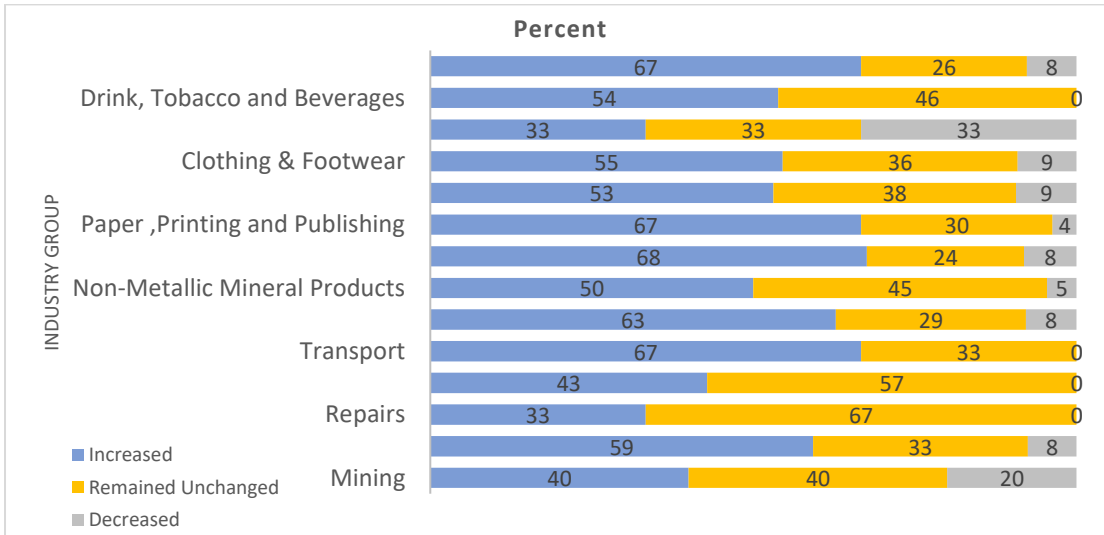


Figure 2.20: Change in selling prices over the next three months

The balance of opinion for selling prices expectation over the next three months in the manufacturing sector was +52 down from +58 percentage points recorded in the first quarter. The net balance for anticipated selling prices in the mining sector was +20 pp down from +37pp recorded in the first quarter. (Figure 2.13)

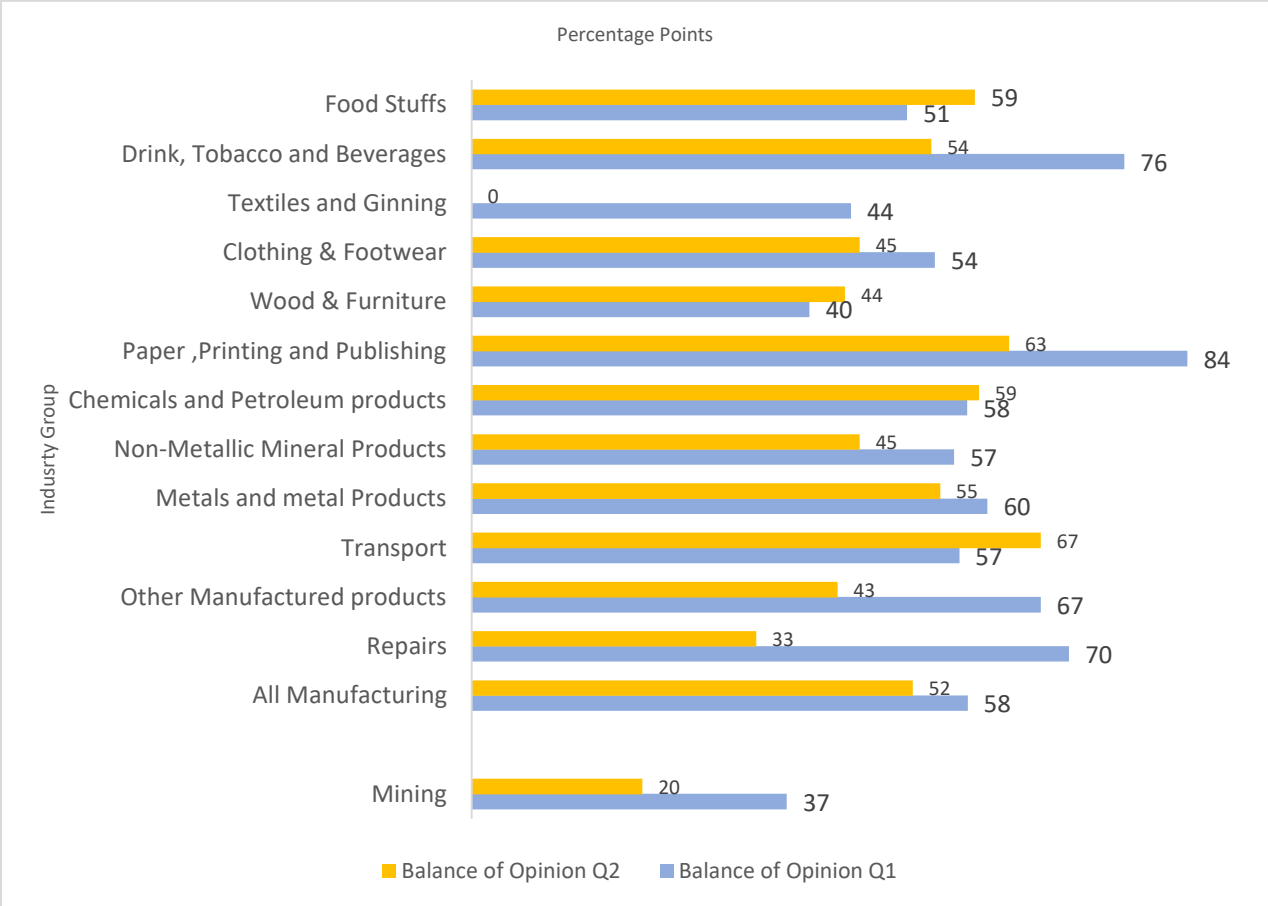


Figure 2.21: Balances of Opinion for selling prices

2.8 Supplier delivery time

In terms of supplier delivery time, 11 percent of the manufacturing sector respondents, reported an improvement in turn-around time whilst 30 percent indicated a decrease. Twenty-nine percent of respondents in the mining sector, cited a decline in the supplier delivery time, 14 percent indicated an improvement.

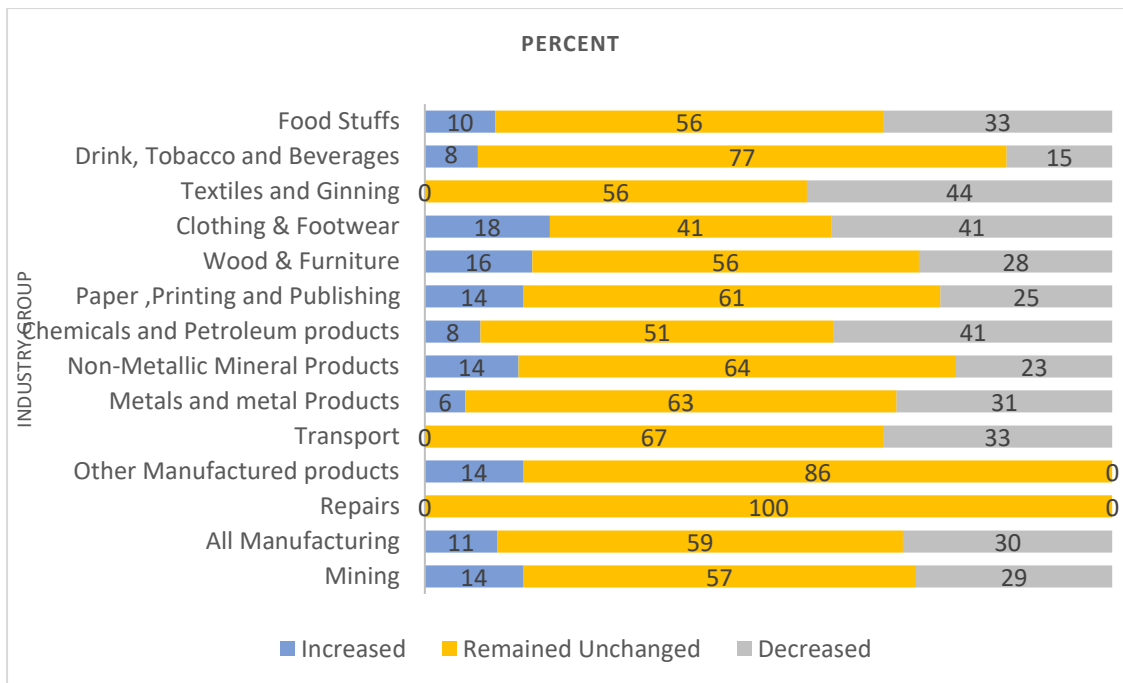


Figure 2.22: Supplier delivery time in the reference quarter

The second quarter balance of opinion for supplier delivery time in the manufacturing sector was -20pp an improvement from first quarter value of -29pp. The mining sector net balance for supplier delivery time was -14 pp, down from -12 pp in the first quarter (Figure 2.15)

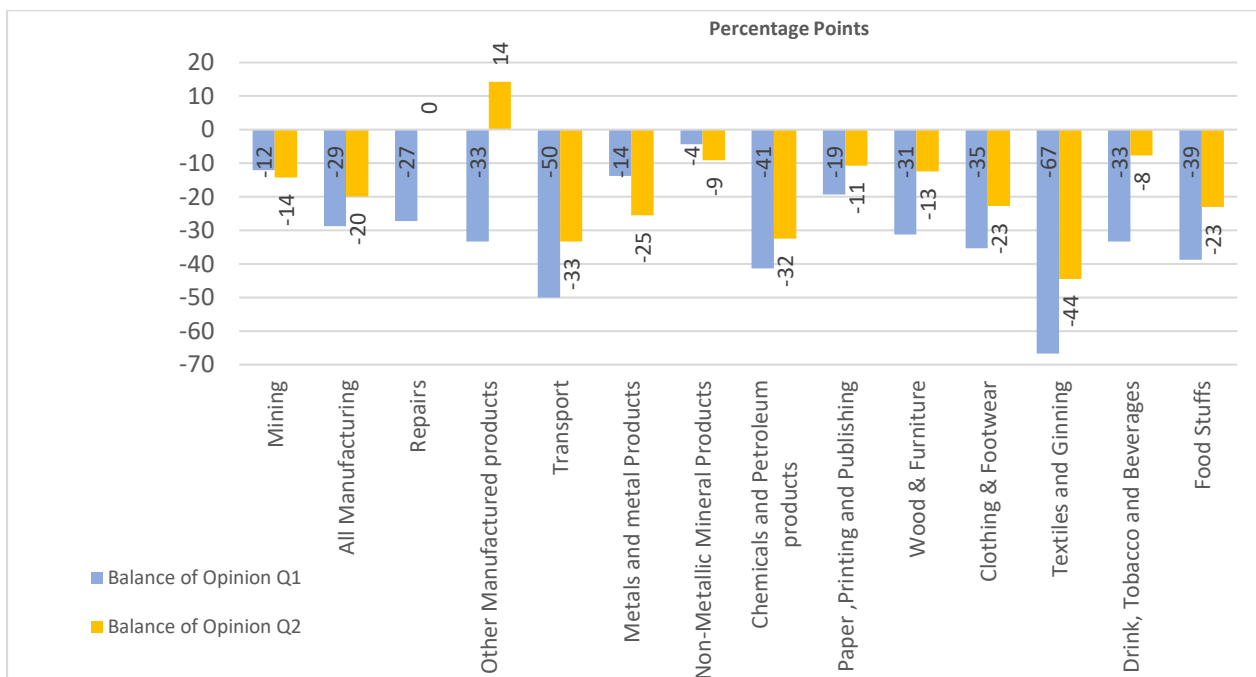


Figure 2.23: Balance of opinion for supplier delivery time

2.9 Manufacturing sector Purchasing Managers’ Index (PMI)

The Purchasing Managers’ Index for manufacturing was 37.9, up from PMI value of 35 recorded in the first quarter. . This indicate that there was a slight improvement in economic activity in the second quarter (Figure 2.16)

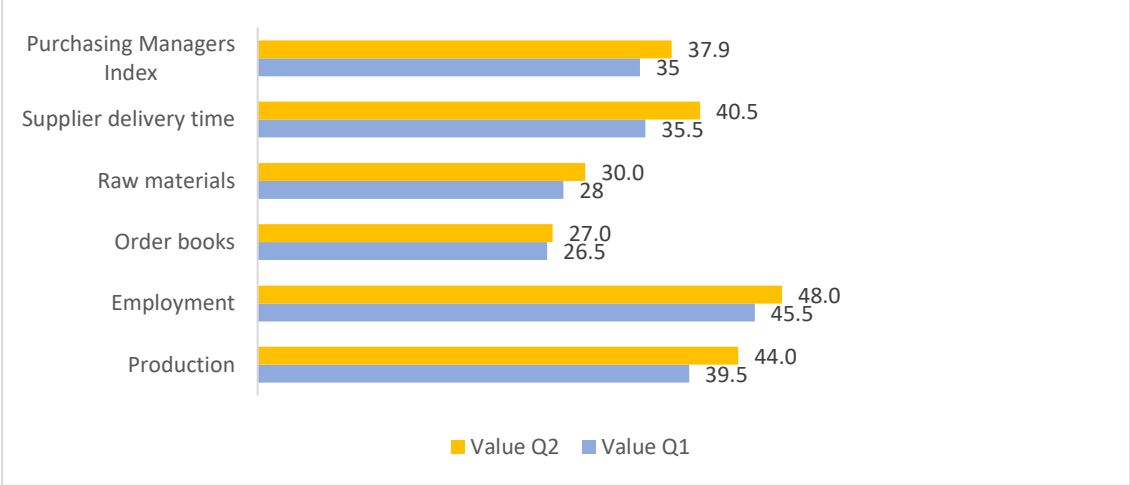


Figure 2.24: Purchasing Manager’s Index (PMI) and its sub-indices

2.10 Manufacturing Confidence Indicator

The Manufacturing Confidence Indicator moved from +5 pp in the first quarter to +7 pp in the second quarter. There were also negative sentiments towards total order books and current stocks of finished goods, as reflected by their net balances of -47 pp and -41pp, respectively. (Figure 2.17)

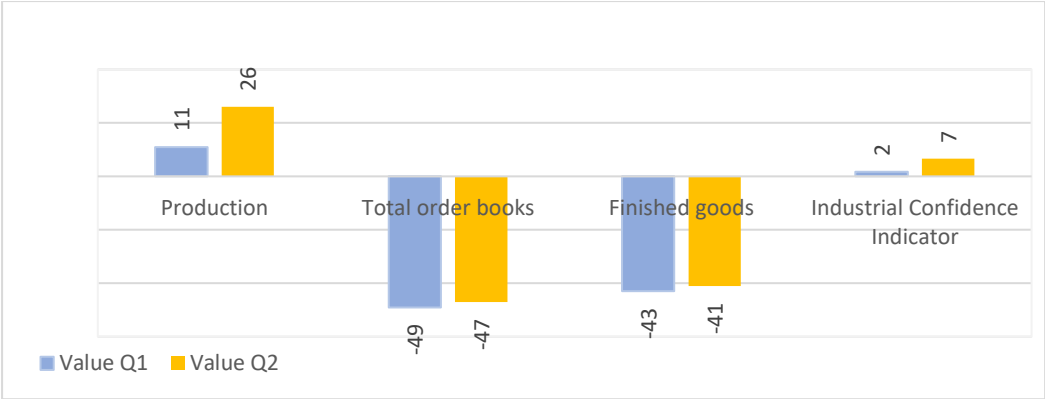


Figure 2.25: Manufacturing Confidence Indicator

Mining Confidence Indicator

The second quarter Mining Confidence Indicator moved from +6 pp in the first quarter to +19 pp in the second quarter. (Figure 2.18)

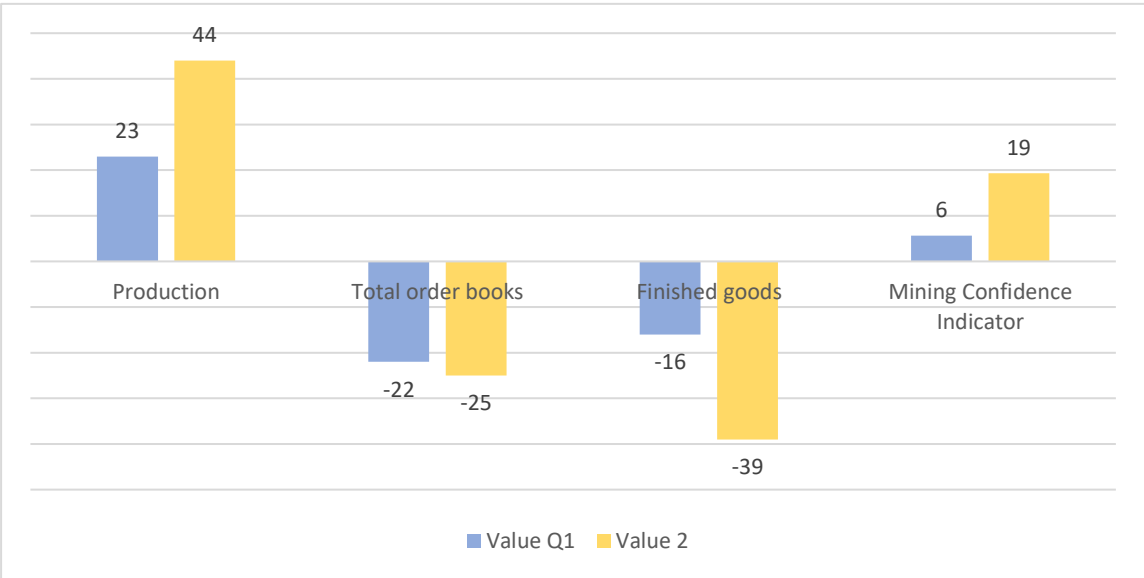


Figure 2.26: Mining Confidence Indicator

2.11 Current constraints

Three major constraints to production as cited by manufacturing sector respondents, were shortage of raw materials, cash flow challenges and uncertainty towards the economic environment. The same were also cited as major constraints in the first quarter.

Cash flow challenges, shortage of power and lack of appropriate equipment were three major constraints raised by mining sector respondents in the second quarter as well as the first quarter.